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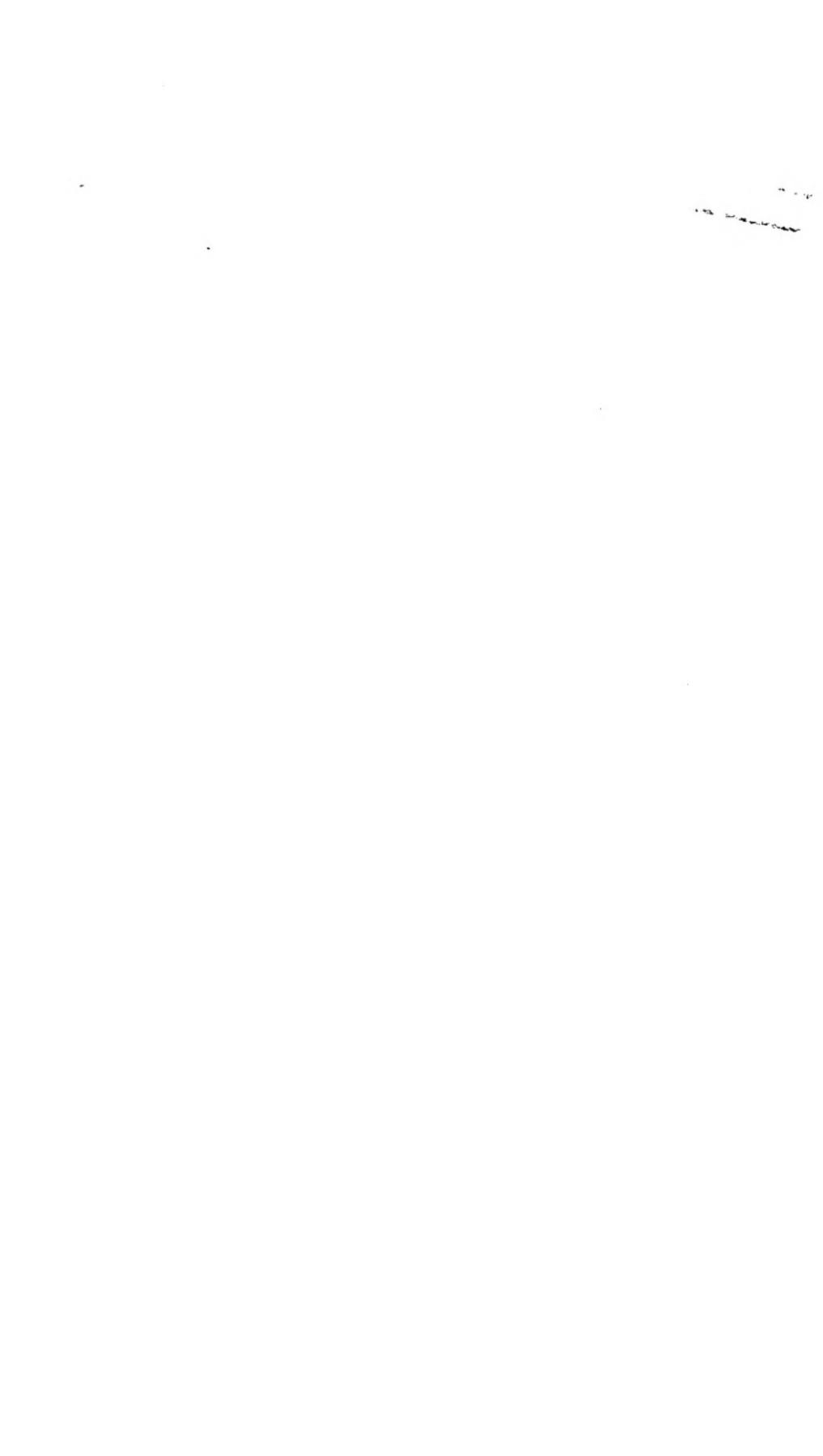
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# BRITISH SOCIAL & ECONOMIC PROBLEMS

*Examined from a Non-party point of view*

*by*

CECIL BALFOUR PHIPSON

And Mark B. F. Major



WHICH WINS ?

# SMALL HOLDINGS AND CURRENCY REFORM

AFTER READING  
"BRITISH SOCIAL AND ECONOMIC PROBLEMS,"  
JOIN THE  
REDEMPTION OF LABOUR COMMITTEE,

which has been formed to carry on the work begun by the late

**CECIL BALFOUR PHIPSON,**

and having for its aim the opening up of free access to the land for the people, by the establishment of a Valueless Currency, which would enable the working classes to have an alternative to working for wages, because they would be able to rent land with perpetual fixity of tenure and fixity of rent, and by being assured of stable food prices, increasing prosperity for the agricultural classes would result, bringing with it increasing prosperity for all other classes of the community.

*Hon. Secs.:*—

CHARLES F. LAMBLE, Mount Stuart, Sharnal Street, Kent, and

MARK B. F. MAJOR, Tudor Cottage, Duppas Hill Terrace, Croydon, Surrey, who will be pleased to send full particulars to all those who may be interested, on application. The Committee call attention to the Syllabus below of Major Phipson's works, which deal with the Land Question, Unemployment, and our Fiscal Fallacies.

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CHAS. F. LAMBLE, Mount Stuart, Sharnal Street, Kent.

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of free traders. 3 & 11 British Reports during "the third  
Year of Free Trade" from 1874 to 1875, p. 15 British Reports on  
Reports to & from U.S. & Germany 1874-5, 1875, p. 12. Changes, 1 and  
with "quite unprotected by any gold reserves"; 21 Supreme  
importance of "purely national currency", 24 adoption of gold  
currency by other countries in 1873 has entirely altered conditions of  
international trade, 27, 28 why Free Trade is said to have  
ended in 1871, p. 32

II

1 1-2

## BRITISH SOCIAL & ECONOMIC PROBLEMS

Explained from a Non-party Standpoint



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BY THE LATE  
CECIL BALFOUR PHIPSON  
AND  
MARK B. F. MAJOR



LONDON  
FRANK PALMER  
12-14 RED LION COURT

*First Published March, 1910*

## PREFACE

CECIL BALFOUR PHIPSON completed the publication of his "Redemption of Labour" in 1892.

The world passed on apparently unheeding, and ten years later, in 1902, he made a further effort in his "Science of Civilisation" to arouse his fellow-countrymen to the social and economic dangers of the situation in which he saw them standing. But still without result.

In 1903, however, as shown by his pamphlet "The True Cause of the Commercial Difficulties of Great Britain," he had the satisfaction of seeing in Mr. Chamberlain's movement in favour of Tariff Reform, a sign that opinion in the country was at least moving towards a recognition of the fact, that something was wrong with the economic conditions under which British trade was being carried on.

In that pamphlet he made one last dying effort to arouse the nation to the true facts of the situation, knowing that his own health would almost certainly prevent more active work on his part, but yet hoping against hope, maybe, that his life might be spared to take some further share in that work. In this hope, as the year drew to a close, he sailed for the Canary Islands in search of the health he had long been a stranger to, but fever caught him in its grip, and before January, 1904, had run its course, he had passed into the great Beyond. And his work —? Who shall venture to answer? You, however, if even slightly interested, read the first two

papers in this pamphlet, and then ask yourself whether words which are as fresh to-day, and still more applicable than when written, should be allowed to pass unheeded. And if you decide that the reply should be no, and that perchance we had in our midst a man whose advice, if followed, could guide the destinies of our Empire—aye, and of the world—into paths leading to a prosperity and a peace unthought of to-day, add your influence (small though perhaps you may think it) to ours, so that men may be compelled to listen to his reasoning, and our nation may have a chance of choosing aright, before those words, so full of pathos for the “ might have been,” are uttered—*too late!*

MARK B. F. MAJOR.

*March, 1910.*

## CONTENTS

BRITISH SOCIAL AND ECONOMIC PROBLEMS—	PAGE
PART I. THE UNEMPLOYED . . . . .	1
PART II. GREAT BRITAIN AND PROTECTION . . . . .	8
A NATIONAL PARTY? . . . . .	26

## APPENDIX

SUMMARY OF "THE SCIENCE OF CIVILIZATION" . . . . .	31
PREFACE TO "THE SCIENCE OF CIVILIZATION" . . . . .	35
INTRODUCTION TO "THE SCIENCE OF CIVILIZATION" . . . . .	38
FINAL WORD . . . . .	44



# British Social and Economic Problems

Explained from a Non-party Standpoint

BEING ARTICLES BY THE LATE  
CECIL BALFOUR PHIPSON  
(Written in 1902)

## Part I.—The Unemployed

THIS is a word which in all civilizations is becoming one of more fateful meaning, for more clearly expressed it means simply the “unfed” or the “insufficiently fed.”

How to feed a constantly increasing population, or, more correctly, how to enable the individuals of a constantly increasing population to feed themselves, is indeed *the problem* of civilization, a solution of which means contentment, progress, power, while failure to find a solution means discontent, retrogression, weakness. There is no escaping the problem, except under such conditions of savagery as it is the very purpose of civilization to eliminate. It is presented, therefore, to all fairly governed States, but most frequently and insistently to those farthest advanced in certain respects, viz. in the preservation of peace and the security of life and property. For these advantages, unless artificially counteracted, necessarily tend to ensure a continuous multiplicity of mouths to be fed.

In British India and Russia the problem presents itself in its primary and simplest form, viz. in the prevention of actual famine, that is in enabling the cultivators of the soil to raise sufficient food (1) for their

## 2 SOCIAL AND ECONOMIC PROBLEMS

present maintenance, (2) to ensure themselves against such probable shortage in future crops as experience teaches them to expect. In Great Britain and all manufacturing States the problem presents itself in its secondary and more complex form, viz. in enabling wage-earners to effect such continuous and steady sale of their manufactures as shall ensure them in return a constant sufficiency of food. Superficially regarded these two problems appear to be distinct. In reality and in the long run they are the same.

For it is food surpluses produced by cultivators that support wage-earners, only the cultivators need not be local or even national ones. To facilitate the multiplication of home cultivators then, and encourage the increased production of food surpluses by them, is the direct and most advantageous way of ensuring continuous employment for wage-earners, for it benefits both country and town, while to facilitate the access of home wage-earners to foreign cultivators, is the indirect and least advantageous way of ensuring continuous employment to home wage-earners, since this method benefits only towns at home and not the country. Whatever steps are taken, therefore, to enable cultivators to ensure themselves against famine, are also those most conducive to the continuous employment of wage-earners. Thus the problem loses much of its apparent complexity, and at the same time brings into complete harmony the interests of cultivators in the country and of wage-earners in towns.

These are the broad lines upon which the prosperity of cultivators and wage-earners must always move. The former being enabled to raise increased food surpluses, and the latter to transport their manufactures to where these food surpluses are. But simple as these conditions of prosperity appear and really are, they involve the recognition in theory and application in practice, of a vital principle in economics which has never yet obtained either conscious recognition or conscious application, although each year and in every country

the unconscious effect of its application or disregard receives abundant, indeed overwhelming confirmation.

This vital principle is that the food-producers of any country, and this class includes the receivers of agricultural rent as well as its payers, are the only *true purchasers* in that country, all other classes being merely *sellers to them of products* other than food, or *exchangers* between themselves of those products, and as sellers or exchangers merely, being wholly dependent for their welfare, existence indeed, upon the extent of the purchases which food-producers make from them. Thus in any country the preservation of a *numerical excess* of food-producers over every other class of the community, and the individual production by them of the largest possible surpluses of food, becomes the fundamental condition of an independent national existence, since directly this numerical excess passes to the side of the non-food-producers, and in proportion as it does so, these latter become dependent first for their prosperity and then for their existence upon the purchases of foreign food-producers, which purchases are liable to be interfered with, or even put a stop to, by causes over which the dependent nation has little or no control, and the operation of which may at any juncture, and in quite unforeseeable ways, force the dependent nation up to, or even over, the brink of starvation.

That this last is the condition of Great Britain, *alone of all the nations in the world*, and has been so to a constantly increasing extent from about the year 1844, when she was obliged, owing to the multiplication of her "unemployed," to abolish all restrictions upon imports of corn, and so give free admittance to purchasers from abroad, does not seem to have been realized by recent writers upon British trade. For they continue to make comparisons between the trade of Great Britain and that of her commercial rivals, the United States, for example, as if the conditions under which each carried on were identical instead of being in most flagrant contrast, advocating the reimposition of protective tariffs

#### 4 SOCIAL AND ECONOMIC PROBLEMS

in Great Britain, which she did cling to as long as her economic condition made them possible, simply because these same tariffs have promoted a special class prosperity in other countries still in the economic condition out of which she passed more than a hundred years ago.

For the United States is still in the same stage of economic development, and makes no sales whatever abroad, but only payments and exchanges, for she imports no food. All her sales are made at home and to home purchasers, her own and Canadian food-producers. Her foreign operations are wholly confined to food payments made for foreign imports (manufactures, raw materials, and securities), for services rendered, for money borrowed, and to *exchanges* of American manufactures or raw material against foreign raw materials or manufactures, and the same applies less or more to Great Britain's other commercial rivals.

Contrast this independent economic position with the dependent one of Great Britain, the bulk of whose foreign trade now consists of food payments received for home exports (manufactures, raw materials, securities, services or loans), but for which payments she must starve, and of exchanges of manufactures and raw materials against raw materials and manufactures. In the former case all true purchasers being in a ring fence at home, the home sellers, if possessed of political power, can put what pressure upon them they please, and the former cannot escape their impositions. In the latter, the bulk of all true purchasers being abroad, home sellers can put no pressure upon them at all. In the contrast between these two economic conditions lies the whole philosophy of Protection or Free Trade.

I doubt if the latter, or indeed any other large instalment of justice, is ever voluntarily adopted, for classes of men with interests in common are always purely animal in their pursuit of, or clinging to, present immediate gains. Nothing but the pressure of circumstances, i.e. of *force majeure*, induces their surrender.

But in a progressive State this force happily always is applied, and if the mental and moral condition of its individuals is such as to lead to their peaceful acceptance of altered conditions and of the principles underlying them, instead of a blind and increasing opposition to them, then is there the fullest hope for such a community, their progressive development is certain ; while the actions of such a people constitute them a light and a guide to all nations following, economically, in their wake, who still have to face and to solve, each for itself, the same problems as have successively confronted and been solved by their exemplar.

And this is the rôle which, in my humble opinion, Great Britain is called upon to play. The least of all the great States of the world, she has yet been called to the widest empire. It is not as a great empire, however, but as a small and crowded kingdom that she has yet many economic problems to face, a solution of which will still further fit her to promote the welfare of the millions entrusted to her rule, to break every yoke, and let the oppressed go free. But she must first find freedom and justice herself, and know what they are, before she can bring them to others. For all great questions, the answers to which make or mar nations, though in theory merely economic problems, will be found in practice to be moral actions, entailing each of them a determination to what is right or wrong as between individuals or classes. And very happily it is so, for otherwise men would be reduced to the pitiful condition of mere opportunists, ever seeking temporary expedients to help them out of permanent difficulties, with no guide but plausibility to lead them to decisions, and no authority but faction to enforce them.

But moral questions must be so decided, in Great Britain at any rate, for she still recognizes one standard and one authority, however little in times of prosperity she may utilize the one or yield obedience to the other. Suffering, however, is a grand instructor, and consciences become mightily quickened under the pressure of ad-

## 6 SOCIAL AND ECONOMIC PROBLEMS

versity. And the presence of vast, and it is to be feared of increasing, numbers of "unemployed" indicates such suffering, though whether it has yet reached such a pitch or extended so widely as to become a political factor, and so touch the consciences of those who are sensitive mainly to votes, is a question only time can answer. There are signs, however, such as the Woolwich and Rye elections, the one a wage-earning, the other an agricultural constituency, that may be as drops before the storm. In any case it is well to show betimes that the sufferings both of wage-earners and agriculturists are remediable, and that it only needs such another advance on the path of justice, as was made when the corn laws were abolished, and foreign food freely admitted to purchase British manufactures, to ensure to the farmers and artisans of Great Britain such another spell of prosperity as they both enjoyed between the institution of Free Trade in 1844 and its termination in 1874.

It will, of course, come as news to most people in Great Britain that the Free Trade advocated by Cobden, Bright, Villiers, and others, legalized by Sir Robert Peel, and so much extended by legislation since then, and which during its thirty years of flourishing life brought so much prosperity to British manufacturers, and wrought no evil to British agriculturists, did terminate in 1874, and consequently is not now in existence. And this is one of the strangest features of the present situation.

To read the articles of Protectionists and Free Traders in the magazines and reviews of to-day, one might suppose that cohorts of Rip Van Winkles, antagonists in the anti-corn law days, after slumbering peacefully together for the past sixty years, had, on suddenly awaking, recommenced their old conflict exactly where they had left off so long ago. For neither side shows the slightest signs of having taken note of the course of events since then—the Protectionists fiercely attacking the principles of Free Trade with showers of their ancient arguments,

all unconscious of the fact that these principles have ceased to operate in Great Britain, and that it is indeed their cessation which has recalled themselves to life. While Free Traders as fiercely defend conditions of trade advocated and secured by their historic leaders, equally unconscious of the fact that these conditions have been completely reversed by events of which they show themselves strangely yet wholly oblivious. The situation has indeed much that is farcical in it, seeing that what has galvanized Protection into new life is not the continuance or extension of Free Trade, but its extinction, and what Free Traders are defending is not that free interchange of national labour products, which is the essence of their principles, but a bounty-fed system of foreign imports which flatly contradicts them. So that the lines upon which the present discussion is being run have not even a working connection at either end with facts as they are.

## Part II

### Great Britain and Protection

**A** N article in the “Spectator” of June 14 on Sir Michael Hicks-Beach and the Corn Duties closes with the following words: “If any approach to a greater freedom of commercial intercourse within the empire can be discovered and adopted without decreasing necessary revenue, and without excluding us from the benefits of the foreign markets, well and good. If not, then let us be content with the admirable unity and freedom which our existing Imperial system already affords us.”

Now there cannot be a doubt but that the colonial Premiers coming to England for the Coronation and subsequent Conference, are not “content with the admirable unity and freedom which our existing Imperial system affords,” but are full of hope that the Conference will result in drawing closer the commercial relations of Great Britain and our Colonies, and will be grievously disappointed if no practical steps are taken by the Mother Country towards realizing this hope. Their own ideas lean, no doubt, to the imposition of

discriminating duties in favour of colonial produce and against the outside world, but it is the result that interests them so deeply, and not any particular measure calculated in their opinion to bring it about.

Equally there is no doubt that, in spite of all disclaimers on the part of Sir Michael Hicks-Beach, which no one would think of disbelieving so far as his intentions are concerned, the vast majority of those who welcome and support the Corn Duties do so, because they rejoice to discern in them a first step towards the re-imposition of Protective duties, which they deem to be the only means of defending British producers against the constantly increasing pressure of foreign competition. Thus have two powerful bodies of opinions, one that of our fellow-subjects beyond the seas, the other that of multiplying agriculturists and manufacturers at home, come to an agreement about the same measures, because conducive, as they believe, to securing their several ends, one of which is increased trade with the Colonies, the other freedom from the burthen of foreign competition.

It is to be doubted, however, whether any of these gentlemen are deep students of economic principle. Rather they are extremely practical men; resolved, so far as lies in their power, to benefit their own Colonies abroad or their own occupation at home, and blinded to a certain extent by that very resolve to every other interest. It is so easy, without any apparent or immediate injury, to pass laws for countries where the supply of unoccupied land is practically unlimited, where the population is scanty, and where the exports and imports together never exceed tens of millions in pounds, and sometimes fall below fives. It is so difficult, without grave injury in the present and graver in the future, to pass similar laws for a country where there is no unoccupied land, where the population is dense, and exports and imports together exceed eight hundred millions in pounds. For in this latter case the struggle

for existence is so severe that multitudinous industries, unknown in the Colonies, have sprung up, which have adjusted themselves so intimately and closely to present conditions, that any disturbance in these conditions, no matter how small, carries with it loss and injury in directions never thought of by the disturbers. It thus becomes of extreme importance that no change should be made without the most imperative need, nor even then until the particular measure contemplated has been submitted for a considerable term to the whole country, so that all interests likely to be affected may have ample time and opportunity to make their views known.

One would think from the way Protectionist principles are now discussed, that their abandonment in 1844, when the Corn Laws were repealed, was a triumph of faddists and theorists over common sense, and that the fact of other nations since then not having adopted the policy of Great Britain, as was so confidently prophesied at the time, proves the aforesaid "faddists and theorists" to have been wrong, and those who differed from them in England then, and on the Continent, in the United States, and our Colonies now, to be right. The prophets of 1844 were wrong, no doubt, but they were wrong only because they did not clearly understand what are the causes which *incline all nations* to be Protectionists until their economic condition has so changed as to *compel* them to become Free Traders. They thought that because the principles they advocated were morally and economically right, it was on this account they were advocated by themselves and accepted by the country. Hence those irritating airs of "unctuous rectitude" which the great Liberal party assumed, airs which have done so much to make the policy of England and personality of Englishmen stink in the nostrils of nations which, *not yet having reached the same economic condition as England had in 1844*, have no compulsion laid upon them to adopt

her commercial policy, but have merely followed their national instincts in such matters *just as England did prior to the above date.*

Now the event which compelled the adoption of a Free Trade policy by England, *as it must compel its adoption by every other State similarly circumstanced*, but never before, was such a change in the numerical distribution of occupations, as caused the urban population, of whom most belong to the industrial and mercantile classes, for the first time to exceed the rural, of whom most belong to the agricultural class. This movement economically interpreted meant that the number of *sellers* in the community had outgrown the number of *buyers*, for food-producers are the only true buyers anywhere, all others being *sellers or exchangers*. Commercially it meant that the sellers (wage-earners and merchants) ceased to be able to find sufficient *customers* at home, without a grievous fall in wages and profits, consequently they had to seek them abroad, and to insist that the Government should let the foreign food, received in payment for their home manufactures, enter *free*, that is unreduced by any deductions called duties.

Now not a single nation in the world, even in the fifty-eight years that have elapsed since 1844, has yet reached the economic condition which England had attained to then. In a few the urban population *almost* equals the rural, but in the vast majority it is immensely exceeded by it. For instance, while in Great Britain the rural population hardly amounts to 25 % of the whole, in the United States it rises to 75 %, and in Russia to over 90 %. All nations, then, but Great Britain are, unless very temporarily, *independent of foreigners for their food*, and so are in a position in which they *can* be Protectionists and *therefore are so*. She alone, being permanently dependent upon foreigners for her food, is not in a position in which she can be Protectionist, and therefore *is compelled to be a Free Trader*. The

extent to which she is thus dependent on foreigners and her Colonies is shown in the following figures :—

TABLE I.—FOOD IMPORTS FOR 1900.

From	Grain and Flour of all kinds.		Meat of all kinds.		Cattle and Sheep.	
	Cwts.		Cwts.		No.	
Foreign Countries	173,237,000	90	13,679,000	78	736,000	83
	19,172,000	10	3,759,000	22	142,000	17
	192,409,000	100	17,438,000	100	878,000	100

Now were these figures reversed Great Britain might, *without* serious loss, discriminate in favour of her Colonies, which would then be her largest customers. Being what they are, this is not possible in view of the immense home interests that would immediately suffer. What the Colonies seek, therefore, cannot be granted *in the form it is asked for*. Great Britain must remain a Free Trader. That is, her industrial population must obtain as large quantities of food as possible in payment for their manufactures, no matter who buys them. For it is these payments that determine the national rate of wages, as whatever reduces the quantities of food received immediately depresses wages.

Is, then, the feeling existing in the Colonies that they should be regarded as England's best customers and treated accordingly a mistaken one? Or that of our agriculturists and manufacturers that they should not be subjected to the present ruinous competition in home and colonial markets a delusion? Not in the least. Both are perfectly right. The only mistake is to suppose that the means advocated would lead to the desired result, or that Great Britain is free to adopt them even experimentally. The result itself is fully as desirable as the most vehement Protectionist asserts it to be.

What is it that benefits any one nation in its commercial intercourse with others? Is it an exchange

of labour products, each receiving from another that which it cannot produce, or not so readily, for itself—which labour products, if exports, must be purchased from home wage-earners, and so give them employment, and if imports, must be sold to home customers, and so provide them with increased comforts or more abundant supplies of food? Or is it the payment of home or the receipt of foreign money tokens which, if exports, are not purchased from home wage-earners, and so give them no employment, and if imports, are not sold to home customers, and so do not provide them with either additional comforts or more abundant supplies of food? What answer but one can be returned to this question? It is the exchange of labour products that alone benefits nations, and such exchanges are prevented to just such extent as international payments or receipts of money take their place. Necessarily, then, whatever encourages and facilitates the latter operations, discourages and makes more difficult the former, and so as a counsel of commercial perfection is as much condemned by theory, as we shall presently show it to be injurious in practice.

Now so long as commerce between any two nations is confined to exchanges of labour products, and the money tokens of each are valueless in the other, *there cannot be any competition between them*. For the only competition possible is that between the merchants of each nation and *amongst themselves*, as to which shall secure the largest imports of foreign commodities for sale to home customers, against any given quantity of exports purchased from home wage-earners. Trade, as thus conducted, cannot injure either country concerned in it, but must benefit both. Nor can the growth of one country's exports or imports be affected at the expense of another. But let a common international factor be introduced into their several national currencies, whereby the units of each currency become mechanically convertible into those of the other, and immediately a fierce competition, which had no existence before, is set

on foot for these money units, not only within each country amongst its own merchants, but between the two countries themselves in each other's markets ; *that country in which little money circulates and prices are low, being enabled to everywhere undersell that in which much money circulates, and prices are high.* Wherever, then, this common international factor is introduced into the currencies of any two or more nations, an enormous commercial advantage is at once created in favour of the poorest and least advanced country, in respect to whatever commodities are common products of both, and such country is enabled to immensely increase its commodity exports, without being any longer under an obligation to accept commodity imports in return. Trade, under these conditions, ceases to consist of exchanges of labour products, and ceases to be either fair or free. For the poorer States, where prices are low, have now gained a quite unfair advantage over the richer ones, where prices are high, and, being exporters of food and not importers, can dictate the terms on which alone they will receive the latter's manufactures.

But the above is not the only disadvantage under which the richer State is made to labour, for it is further handicapped by what otherwise could not fail to be a chief cause of its success. This is *the superior capacity of its individuals to utilize or consume the most varied products of other countries*, which capacity should give it an unassailable commercial advantage over nations less highly developed, seeing that under normal conditions the capacity of any people to utilize or consume imports necessarily determines the extent of its exports. Now, however, this superior commercial receptivity merely opens it up as a dumping ground for such commodity imports as its rivals are obliged to accept in return for their exports, if they are to trade at all with certain countries, *but can neither utilize nor consume themselves.*

Thus the introduction of an international factor into a currency hitherto purely national, actually causes the prosperity of a nation to tell not for, but against its

own commercial success, and its trade is gradually filched away from it, not through any suddenly developed inferiority in itself to other nations, which, with industry and care, it might hope to get rid of, but through an economic trick or piece of financial legerdemain which, so long as its results are submitted to, cannot by any possibility be overcome. But this is exactly the position which Great Britain now occupies in respect to other nations. Let us therefore try and ascertain how it is she has been placed in it, since a knowledge of this may also reveal *how she may escape from it*, and so realize the desires both of our fellow-subjects in the Colonies in respect to an increase in trade with the Mother Country, and of our agriculturists and manufacturers at home in respect of freedom from the pressure of foreign competition, but to an extent greater than either of these anticipate, and without any of the acknowledged drawbacks which their suggestions involve. A study of the following figures should help us to attain to this most desirable knowledge:—

TABLE II.—BRITISH EXPORTS DURING THE THIRTY YEARS OF FREE TRADE.

Years.	Average Annual Exports.	Exports per Head.					
		£	s.	d.	£	s.	d.
1840-4	44,176,000	...	100	...	1	18	7
1845-9	58,635,000	...	133	...	2	2	1
1850-4	84,002,000	...	190	...	3	1	0
1855-9	116,120,000	...	263	...	4	2	2
1860-4	138,407,000	...	311	...	4	15	0
1865-9	181,288,000	...	410	...	6	0	0
1870-4	234,726,000	...	531	...	7	7	5

TABLE III.—BRITISH EXPORTS SINCE THE CESSION OF FREE TRADE.

Years.	Average Annual Exports.	Exports per Head.					
		£	s.	d.	£	s.	d.
1870-4	234,726,000	...	100	...	7	7	5
1875-9	201,476,000	...	86	...	6	0	7
1880-4	234,275,000	...	100	...	6	13	6
1885-9	226,245,000	...	96	...	6	3	7
1890-4	234,426,000	...	100	...	6	3	1
1895-9	237,830,000	...	101	...	5	19	5

Should have been :

1895-9	1,000,000,000	...	426	...	25	4	5	...	342
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In Table II we see the exports of British and Irish labour products increasing by "leaps and bounds" from the quinquennium 1840-4, the last term of the Protective period, up to and including the quinquennium 1870-4, the last term of the Free Trade period, the annual average of exports at the end of the latter period being actually *five and a half times greater* than it was at the end of the former period. Nor was this increase an intermittent one or in totals. On the contrary, it was progressively regular both in respect to totals, which rose by 531%, and to values per head of the population, which rose by 382%. But at the end of the period 1870-4 an immediate and extraordinary change occurs, as is shown in Table III. It is as if some omnipotent voice had suddenly called "Halt" to the exporters of Great Britain, *for at once all progress ceases*, and the augmenting increases of the previous term are suddenly transformed into decreases, and thereafter and up to the end of 1899 the annual total of British and Irish exports remains either reduced or stationary.

To realize the full meaning of this stroke of commercial paralysis, it must be remembered that the twenty-five years 1874-99 have been years of unexampled and world-wide progress. They have been years in which, in the main, peace has prevailed throughout the world, in which millions have been added to its population; in which railways have been extended in every country; in which fleets of new steamers have been launched upon the seas; in which continents have been connected and laced by telegraphs; in which vast areas of savagery have been subdued to civilization; in which markets have everywhere multiplied and buyers in markets; in which over 4,000,000 square miles have been added to the British Empire, and its population increased by 138,000,000; and yet in face of this universal, this phenomenal activity, making memorable these five-and-twenty years as record years in the economic history of the world, *not a single pound has been added*

to the totals of purely British exports, while their value per head of the population has steadily declined, so that, enormous as has been the increased demand for manufactures accompanying this ubiquitous development, the whole has been supplied by foreign exporters, and not one penny's worth by British. It is for those economists who persuade themselves, and try to persuade their countrymen, that all is well with British trade, to account satisfactorily if they can for the above extraordinary fact, and explain why it is that the annual total of purely British exports remained in 1894-9 the same as in 1870-4, when, had they been made under conditions similar to those prevailing during the previous thirty years, they would have reached the astounding total of £1,000,000,000 a year.

Now many reasons have been put forward for this remarkable state of affairs, most of which are depreciatory of British manufacturers, merchants, and methods, and eulogistic of foreign ones. Nor is it for one moment to be denied that the former are susceptible of great and much-needed improvements, or that the practical monopoly of the world's markets which Great Britain enjoyed during her thirty years of Free Trade (1844-74) left her handicapped at its end with much that was obsolete in machinery, manufactures, and methods.

But these reasons, even if allowed far more weight than is their due, only refer to *causes that operate slowly*, so that, assuming them sufficient to account for the stationary totals of 1895-9, an assumption which is extravagantly liberal, they in no wise explain the *sudden* decrease in 1875-9 after so long a term of steadily augmenting increases. For this no explanation has been offered to the British public, and yet once that which follows is understood, the wonder must be that it has not been realized before, seeing that not only does it fully account for the sudden paralysis in the volume of British exports since 1870-4, but makes it clear that no *action on the part of British manufacturers and merchants*

*could have prevented*, however much they might have mitigated it.

This explanation is that, whereas prior to 1874, Great Britain enjoyed *a practically national currency*, the units of which were only commercially convertible into those of every other country, France alone excepted, since that date *a wholly international currency* has been thrust upon her, the units of which are not commercially merely, but also mechanically convertible into those of almost every other country. For prior to 1874 Great Britain alone of all the nations of the world employed fixed weights of gold as her legal tender in discharge of debts, France employing fixed weights of either gold or silver, and all other countries silver alone. Prior to 1874, then, the British pound was mechanically convertible only into French francs, but since then, owing to the general adoption of gold as an all but universal standard, it has become similarly convertible into German marks, American dollars, Dutch gulden, Russian roubles, etc. The commercial meaning of which operation is that, whereas prior to 1874 German, American, Dutch, Russian, and other merchants *were obliged* to take British commodities in exchange for theirs, or, what is the same thing, buy British bills on their several countries with the pounds realized by a sale of their goods in Great Britain, since that date they have been enabled to take *either* the British pound or the British commodities, and so force down the prices of the latter by their ability to take the former. The acquisition of this alternative has even enabled them to put heavier duties upon British goods, while increasing the volume of their own exports to Great Britain, *a trading operation absolutely impossible under previous conditions*.

The extent of this movement in respect to the two principal manufacturing rivals of Great Britain, the United States and Germany, is partially shown in the following figures :—

# SOCIAL AND ECONOMIC PROBLEMS 19

TABLE IV.—BRITISH EXPORTS TO AND IMPORTS FROM THE UNITED STATES AND GERMANY DURING AND SINCE 1870-4.

*Average Annual Exports and Imports during each Quinquennium.*

*Exports to United States.*

1870-4	1875-9	1880-4	1885-9	1890-4	1895-9
36,970,000	21,644,000	36,583,000	38,806,000	39,061,000	35,509,000
100	58	100	105	106	96

*Imports from United States.*

62,194,000	80,896,000	96,831,000	85,270,000	98,253,000	110,416,000
100	130	155	137	158	177

*Exports to Germany and Holland.*

60,230,000	47,316,000	46,541,000	43,289,000	44,832,000	46,798,003
100	78	77	72	74	77

*Imports from Germany and Holland.*

32,600,000	41,823,000	50,070,000	50,255,000	51,709,000	57,016,000
100	129	153	154	159	175

I use the word “partially” in the above sentence because, while this table shows *a decrease in Great Britain’s exports* since 1874 of 4% to the United States and of 23% to Germany and Holland, and *an increase in her imports* from those countries of 77% in one case and 75% in the other, it does not show *the heavy fall in prices* during this period, which compelled the producers of Great Britain to part with so much more of their labour products in return for any given sum of money, and which was entirely due to the internationalization of her currency. But while this movement has been hurtful to British manufacture, which is comparatively free from the burthen of fixed and continuing payments in money, it has been all but fatal to British agriculture, which is necessarily subject to them. To speak and think, therefore, of this period of unfair and forced exchange as one of Free Trade, and so identify it with the preceding period of *fair and free exchanges*, is to exhibit a disastrous ignorance of *the complete revolution in the economic relations of Great Britain with the rest of the world*, which followed the adoption in 1870-4 of her legal standard by practically the whole of Europe and North America.

That Great Britain herself made no change in her commercial policy or monetary system, has blinded her to the changes which other nations have made in both, which changes have resulted in levelling to the ground that *wall of fiscal protection, which her exclusively national currency drew round her so long as it existed.* A wall more absolutely protective of home industries than any the wit of man can devise, and protective of home industries without the slightest trace of hostility to foreign ones.

When the Empire in council, then, is considering how best the commercial ties between the Mother Country and her growing children may be strengthened, let her councillors look well to the foundation before attempting to raise the superstructure. Let them not seek to create each for themselves artificial advantages which must result in the creation of equally artificial disadvantages for others, but rather to comprehend and restore those conditions which during thirty prosperous years made unfair and forced exchanges impossible, and fair and free ones alone possible, since under these conditions, the broad fact of our fellow-subjects in the Colonies being purchasers of vastly more British manufactures per head than any other people in the world will also ensure our being *compelled* to receive from them more per head of their labour products than they can dispose of to any other nation, and thus the interests of all will be best served, without any hostile tariffs being exacted against the trade of other countries.

Now the foundation of British prosperity during the thirty years of Free Trade (1844-74) was the *nationality of her currency*; the commercial effect of which was to render British currency tokens *valueless as money* in every other country, and compel the acceptance of commodity imports in exchange for commodity exports when the trade initiation lay with British merchants, as it mostly did, or of commodity exports in return for commodity imports when such initiation lay with foreign merchants. This compulsory interchange of commodities left Great

Britain free to reap the fullest advantage from the great start she had obtained in manufactures over all other countries, through her early application of steam power to manufactures and transport. While this nationality of her currency tokens compelled even the foreign investment of home savings to supply a stimulus to British trade, there being no means of making foreign remittances save through the medium of commercial bills, themselves the product of a prior export and sale abroad of British manufactures.

Another and even more important consequence of this isolation of the British currency was that it was left free to develop upon lines of its own, and this development has taken the form of a wider and wider departure from a barbaric currency of valuable equivalents, still the only one recognized by law, and a closer and closer approximation to a civilized currency of valueless tokens ; until at length no more than about 2% of all British payments are made in the former currency, which is yet the only legal one, while the remaining 98% are made in the latter, which is not legal at all. This latter currency now consists of bank credits put into circulation through bank cheques—which credits and which cheques are assumed to represent and be convertible into gold, but have long ceased to have any real connection with that metal, a fact that can best be realized by remembering that while the “deposits” in the banks of Great Britain, *upon which all cheques are drawn*, amount to over £7,000,000,000, the reserves of gold held by all the banks in the kingdom is not more than enough *to protect their note issues*. So that the currency of bank credits, which in practice has now superseded the legal currency and determines all prices, *is quite unprotected by any gold reserves*, and has now swollen so enormously in volume that it never by any possibility can be so protected. Although the law, therefore, still declares gold to be the only true currency of the country, custom has long since rejected it in favour of bank credits *unprotected by gold*, which now do duty in its stead.

But a necessary effect of this evolution in currency has been to raise the volume of *customary money* in circulation enormously above the supply of *legal money* in existence, and of necessity to correspondingly raise the general level of British prices, British wages, British rents, and British freights high above anything that could have been reached by a circulation exclusively of gold. So long, however, as neither the legal nor the customary money of Great Britain had any currency in other countries, this inflation of the home circulation had no injurious effect upon its export trade, nor its import trade any depreciatory effect upon home prices. But the whole situation was immediately changed, as even the man in the street can understand, directly the legal money of Great Britain became also, for all practical purposes, the legal money of other countries, countries, moreover, which had not developed any appreciable currency of bank credits, and in which consequently prices, wages, rents, and freights remained at the low level inseparable from an all but exclusive use of metallic money. How immediate and momentous was the effect of this change upon the volume of our export trade was shown in Tables II and III. How similarly disastrous was its effect upon home prices appears from the table which follows :—

TABLE V.—FOOD IMPORTS AND PRICES.

(a) *Under a National Currency.*

Years.	Average Annual Imports. Wheat and Flour. Cwts.	FOOD.	MANUFACTURES.	
			Price per Qr. s. d.	J. W. Sauerbeck's Index Nos. of 45 principal commodities.
1840-4	9,008,000	100	58 5	100
1845-9	12,898,000	144	54 0	93
1850-4	20,685,000	229	49 1	84
1855-9	19,012,000	211	57 8	100
1860-4	34,442,000	382	49 9	86
1865-9	34,015,000	378	53 7	93
1870-4	44,689,000	496	55 0	95

(b) *Under an International Currency.*

1870-4 . .	44,689,000	...	100	...	55	0	...	100	1867-77 = 100
1875-9 . .	59,625,000	...	133	...	47	8	...	89	91
1880-4 . .	70,899,000	...	159	...	42	5	...	76	83
1885-9 . .	72,144,000	...	161	...	31	7	...	58	70
1890-4 . .	84,284,000	...	188	...	29	8	...	54	68
1895-9 - .	89,741,000	...	200	...	27	10	...	50	63

This table shows that an enormously increased import of food *under a national currency* produced practically *no effect upon home prices* during the long term of thirty years, while a much smaller rate of increase *under an international currency* reduced prices by one-half in the shorter term of twenty-five years. Nor is there any limit to this fall as the area of internationality in money extends, and such vast populations as, say, those of British India, where a penny a day, according to Lord George Hamilton, suffices to maintain a man, are actually forced by the British Government, when thrusting a gold currency upon them, into direct monetary competition with the highly rented, highly taxed, and expensively supported farmers of Great Britain.

An explanation of the economic phenomena exhibited in the above table is simple directly the key is known, it being that the food imports of the Free Trade period coming in *as payments for British exports*, their effect was the only one proper to all such imports, viz. *to raise wages and profits, but not to lower prices*. Very different was it, however, during the subsequent period of forced and unfair trade, when the food imports coming in *to compete for British money units*, their necessary effect was to lower British prices and British profits, while a similar effect upon British wages was only prevented by such effective combination amongst wage-earners, as secured for them a larger and juster share than ever before of the selling price of their labour products.

Necessarily the unfairness of the situation as affecting the agricultural, industrial, and mercantile classes of Great Britain, was immensely increased by the nature

## 24 SOCIAL AND ECONOMIC PROBLEMS

of the British currency, of which all the units pretended to be gold and legal tender, whereas no more than 2% of those in use really were so. This 2%, however, is quite sufficient to give foreigners command of the situation, since it enables them either to take away gold whenever they choose to do so, and by so doing to tax all British industries through a rise in the bank rate of discount, or else to lower British prices to just such level as would induce them to accept British manufactures in place of gold. Thus placed between the devil of raised discounts and the deep sea of reduced prices, what place or what time is there for the operation of that over-lauded remedy against foreign competition —improved “technical education.” Great Britain indeed needs to “wake up” to many things, but to nothing more so than to the cruel disadvantages she has been placed under through the internationalization of her currency. Before “technical instruction” or improvements in mechanical and mercantile methods can produce any appreciable effect, it is necessary that there should be restored to the trade of Great Britain that condition of compulsory reciprocity, as between her and other countries, which existed during the thirty years of her greatest prosperity (1844-74), which reciprocity was then due to, and is now only recoverable through, a *purely national currency*, the adoption of which would at once deprive all poorer nations of their now, to Great Britain, *disastrous alternative* of being able to take either British money units or British labour products in return for their exports. When thus given back her commercial freedom, the mercantile, industrial, and agricultural aptitudes of her children, the steadfastness and solidity of their character, and the honesty of their dealings, will again restore to them that position of economic superiority which rightly attaches to those qualities, but of the fruits of which they are now so unfairly and so unwittingly being deprived. As to how this national currency can be recovered without injury to any but with benefit to all,

those who care to do so may read at length in "The Science of Civilization" (Swan Sonnenschein and Co.), or more briefly in the paper which follows this.\*

\* No. 1 of the "True Cause" series: "The True Cause of the Commercial Difficulties of Great Britain." Swan Sonnenschein and Co., Ltd.

## A National Party ?

**W**HY not ?

At the present time the nation, no doubt, appears to be a house divided against itself, but I am optimist enough to believe that this division is more in appearance than in fact.

For among all classes and all parties there is to be found a very real search after the right way to remedy the wrongs that attend our British civilization of to-day, and the pity of it is that the clearness of vision of all parties seems to be so dimmed that they fail to realize the good motive underlying the efforts of others, and the fact that their own efforts are equally doomed to fail, because they have not perceived the whole truth.

The letter on opposite page was recently sent to two or three of the Liberal candidates at the recent Elections, and one which varied slightly at the commencement to a similar number of Unionist candidates. It is believed by a few of us that in it are to be found the broad outlines on which a British National Party could agree to work. *Currency Reform* is the keystone on which the foundations of a national—ultimately, we doubt not, a world-wide—prosperity could be well and truly laid. If you agree with us, or if you would like further particulars as to where the ideas outlined may be found worked out in fuller detail, write to the undersigned, c/o The Editor, "Open Review," 14 Red Lion Court, Fleet Street, E.C.

MARK B. F. MAJOR.

*January, 1910.*

DEAR SIR,—While I am opposed to Tariff Reform, and the Unionist land policy does not satisfy me, I am at the same time convinced that many of the conditions affecting this country are very adverse to its continued prosperity.

I am quite sure that our “Free Trade” of to-day is not the “Free Trade” contemplated by Cobden, because the adoption of Gold Currencies by other countries since 1873 has entirely altered the conditions under which international trade is conducted. ||

I also feel that no “leasehold” system of land tenure will be satisfactory which does not give to the tenant perpetual fixity of tenure and of rent, and leave him in possession of all increment in the value of the land, which may have taken place while he was in the actual occupation of it.

If you will do me the favour of glancing through the enclosures, you will see that Currency Reform is what some of us feel is needed to remedy the social and commercial evils under which the people of this country are suffering.

“The Residential Small Holdings Co., Ltd.” has recently been formed, and has purchased May’s Farm, consisting of 40 acres of land at Sharnal Street, Kent, which is in course of being divided into small Holdings of from one to five acres, with a house on each. The rent of one acre Holdings will be 6s. a week, and of five acre Holdings 10s. a week.

The Company will give leases of 10,000 years, at a fixed rent, with the right to the tenant to sublet at a profit rental (giving the same fixity of tenure and of rent in turn) and also, in addition, the right to terminate the lease by giving a year’s notice.

The reason for giving the right to terminate is that if the tenant undertakes to pay 30s. for a given amount of land, and wheat sells at 30s. per quarter, he in effect gives a quarter of wheat as rent. But if the price of wheat falls to 15s. per quarter, he has to sell two quarters of wheat to pay the same money rent.

The Company holds that this shows the money system of the country to be at fault, and it believes that if anyone has to suffer because of this it should be the landlords.

But it is satisfied the landlords ought not to have to suffer, if only the Government could be brought to understand the laws which underlie a true system of currency, and we hope that the experiment we are making will serve as an object-lesson to point to the right lines on which Social and Fiscal Reform must proceed.

We see that it would be necessary :—

- (a) For the Government to issue the Currency.
- (b) For the Currency to be valueless in itself, and that,
- (c) For the first time in history, governments would have an infallible standard to guide them as to the amount of currency required.
- (d) Over-issues would therefore be avoided.
- (e) The standard would be the average price of wheat in London for a short term of normal “world-harvest” years.
- (f) The duty of Government would be to prevent the price of wheat from permanently falling, which they would do by increasing the issues of currency.
- (g) Merchants would prevent the price from permanently rising in their endeavour to obtain maximum profits.
- (h) With food prices stable, tenants would become increasingly prosperous, as competition, inventions, etc. constantly tend to bring down the price of all that is not food.
- (i) All landlords could be made to give similar terms to those offered by the Residential Small Holdings Co., Ltd., if they once let their land, and they would find that the purchasing power of the same money rent would steadily increase.
- (j) A leasehold system of land tenure which would have the advantages both of ownership and tenancy, and the drawback of neither, would be achieved.
- (k) The annual issues of Currency the Government would have to make would probably amount to over forty millions, which being of valueless material would constitute a taxless revenue, to be expended in developing the resources of the country, or in reducing the burden of taxation.
- (l) With a currency of valueless material instead of our present valuable gold currency, trade between this country and other countries would have to consist entirely of the exchange of goods for goods, instead of as now the exchange of goods for *British Gold Money*, as it is from time to time.
- (m) This would be true reciprocity, and Free Trade for this country would once more be a blessing instead of as now a curse.

I hope you will pardon the length of this outline of a policy which, if practicable, as I am convinced it is, would enable most

men of all parties to unite for the good of the country. I cannot expect that in the heat of the elections you will pronounce any opinion as to the merits of what I have laid before you, but I should be much obliged to you if you will let me know whether you will be prepared to give the matter your consideration afterwards.

I am, Dear Sir,

Yours faithfully,

—



## Appendix

### Summary of “The Science of Civilization”

MAJOR PHIPSON seeks to show, among other things :—

1. That no limit can be put to a fall in wages, unless wage-earners are free to become agriculturists, when they cannot sell their manufactures to advantage.
2. That Rent in its origin is a given quantity of the produce of the land.
3. That means must be taken to ensure that the token (i.e. the currency) adopted to represent such given amount of produce, does not fluctuate in value compared to the produce it represents (i.e. the token must always remain exchangeable for the same fixed quantity of that produce), so that the conditions of the contract for both landlord and tenant, implied by the creation of Rent, remain the same.
4. Since Rents became payable in gold instead of in kind, more produce had to be given by the tenant from the land, as the purchasing power of Gold increased, in order to obtain the Gold in which the Rent had become payable.
5. To obviate the injustice to tenants, and corresponding injustice to landlords in the reverse event, the price of the staple Food Product must be kept at an approximately uniform level.
6. This can only be done by a just regulation of the currency by the State.
7. That a “civilized” currency (in contradistinction to a “barbaric” one) must be a purely token currency.
8. That the only true purchasers are Food Producers.
9. That Great Britain, not being a large Food-pro-

ducing country, offers the best market in the world to all Food Producers.

10. That the true value of manufactures is their value in relation to Food Products.

11. That from 1844 to 1874, under true Free Trade, values of manufactures were in effect so measured by Food Products in Great Britain.

12. Competition for Food Products being keener in Great Britain than in any other country in the world, the purchasing power of these Food Products was higher in Great Britain than elsewhere, which, as a consequence, had the effect of making her the cheapest manufacturing country in the world.

13. That since the adoption of the Gold standard by Germany in 1874, and by all leading nations since, the value of manufactures has been measured by Gold, and from that time, true Free Trade has ceased to exist for Great Britain.

14. That a wealthy nation has, relatively to poorer nations, a larger circulation of currency per head of the population, so that its purchasing power will be less, if the material of the currencies is the same.

15. That the adoption of Gold as the International Standard had the effect, therefore, in Great Britain, of making her the dearest manufacturing country in the world, measured in Gold, owing to her immensely larger currency.

16. That in reality, however, less than three per cent of that currency is international, i.e. Gold.

17. That, therefore, in order to regain our supremacy in cheapness of manufacture, that was lost to us in 1874, we must once more revert to a purely national currency, which we ceased to have since 1874, when Gold was adopted by hitherto silver-using countries as their currency, thus making the British currency in effect international.

18. That this can be carried out by the elimination from our present currency of the three per cent of that currency that is now international, i.e. Gold.

19. That the elimination of Gold, and consequent adoption of Paper as our only currency, will give Great Britain once more a National Standard; Paper in the form of Cheques even now forming at least 97 per cent of our present currency.

20. That Great Britain will thus regain the advantage of having the value of her manufactures measured by Food Products, the value of which is higher in Great Britain than in any other country in the world, instead of by Gold, the purchasing power of which in Great Britain is lower than in any other country.

21. That British Food Producers will once more be able to compete on fair terms with foreign Food Producers.

22. That the Colonies, not being large manufacturing countries, would find it more and more to their advantage to trade with the Mother Country, where they could sell their produce higher, and buy their manufactured goods more cheaply, than in any other country in the world.

23. That a purely paper currency will necessitate State Banks, cheques on which only will be legal tender.

24. Deposits in State Banks will remain unused until withdrawn by depositors.

25. That the function of existing bankers will be to receive such deposits when withdrawn, and lend them out to traders, etc.

26. That to regulate Food prices and keep them stable, the issue of about forty millions of fresh currency annually will be required.

27. The amount required will be determined by a Currency Board composed of men of the highest integrity, who have expert knowledge, will be highly paid, and will be as free from the control of the Executive branch of the Government as is the Judicial Bench.

28. The Currency Board will issue this amount of Currency determined upon, to the Executive to spend, and as such Currency will cost the nation nothing but

## 34 SOCIAL AND ECONOMIC PROBLEMS

the cost of issue, this annual sum will be available to reduce taxation, and for expenditure on National purposes generally.

29. That such a currency will necessitate the giving up of our present commercial law, i.e. Roman law, the heathen law of force, and the adoption in all our relations of life, of what is now, as a professedly Christian country, our nominal law, i.e. Hebrew law, Christianity being only the more perfect fulfilling of that law.

30. That the carrying out of these principles, while proving of incalculable benefit to the Nation from an economic standpoint, will prove of far higher value from the standpoint of those who wish for the moral improvement of the human race.

31. That it will further prove the error of the Malthusian theory, the following being the author's concluding words :—

“ Upon the inconceivable superiority of an economic system, which requires the Government to constantly give to the people in proportion to their fecundity, over one which requires it to constantly take from them in the same proportion, what need is there to dwell ? It does but afford another instance of those miracles when anticipated, which appear no miracles when performed, that stultify the conclusions of ‘ pure ’ reason, ever incapable of perceiving anything but present loaves and fishes to feed future multitudes, and so denying with the Rev. Robert Malthus the possibility of their being fed, wholly disregarding the manifest fact, that yet larger multitudes have been unfailingly fed in the past, upon what seemed even scantier provisions, and wholly disbelieving Christ’s ceaselessly verified promise, as true for nations as for individuals, ‘ Seek ye first the Kingdom of God, and His righteousness ; and all these things (the necessities and comforts of life) shall be added unto you.’ ”

## Preface to “The Science of Civilization”

THOSE who have read my earlier work, “The Redemption of Labour,” can judge for themselves how far that now presented is a condensation of it, and how far, through Part III, a logical and inevitable extension. For others, I have not thought it necessary to encumber these pages with any but the most occasional references to previous works on economics, even to those of the accepted authorities. All who are students of the science will be able to make any useful comparisons for themselves, while for those who are not, and yet perhaps may be readers of this work, the space that could have been given to quotation and discussion would have been too limited to have resulted in enlightenment. For one of the chief difficulties in dealing with so vast and suggestive a subject has been to reduce the book to a size that a harassed public can read, while supplying such explanations and applications as suffice to give clearness and point to its principles. These, paradox though it may sound, claim to be new only because they are old—so old, indeed, as to have been buried and then forgotten under the later and purely naturalistic growths of Rome. But this claim to antiquity for the economico-moral principles here presented—principles the less or more perfect application of which enabled the great primitive civilizations of old, of which China is the sole survivor, to flourish for thousands of years, where those of the Roman type, because of the class antagonisms they foster, could and can barely exist for hundreds—will convey no illumination or even meaning to such as have not directed their attention to the remote past, as few

are able to in an age and under a system which compels men to live so strenuously and absorbingly in the immediate present. It will be simpler and more instructive, therefore, to point out here what are the principal objects of this work both practical and theoretical.

*Practically* it seeks to show what are the only principles upon which the Government of any State, and without a Government there is no State, can enable its multiplying subjects *to provide themselves* with a continuous and abundant supply of food, and a continuous but increasing supply of comforts. Wanting which dual supplies there can be no genuine national progress, nor even continued national existence, but the obtaining of which, save by a few, is not only not facilitated under the present economico-political system, but is made for the many a hopeless impossibility.

*Theoretically* it seeks to show the absolute falsity of the three fundamental theories which are the main intellectual supports of the present system. (1) The Malthusian Theory of Population, which asserts that the earth is incapable of yielding food sufficient for all the children that can be born upon her; (2) The Roman Theory of Justice, which asserts that it is the duty of the State to enforce the payment of private debts; (3) The Philosophic Theory of Man, which asserts that Reason supplies him with an efficient and his only dependable guide for conduct.

A denial of these theories, especially of the last, necessitated Part III, which inquires as briefly as possible into the sources of such moral desires as *must be present*, to make possible the practice of true economic principles, seeing that these desires are to these principles what the soil is to the seed sown upon it. It may be that this latter inquiry will offend many, but I would greatly hope that it may attract more, seeing how the practical world is now revolting from the lordship of those selfish, soulless, and fatal principles which have so long claimed to direct its economic activities, and how those now presented in their stead reconcile at last what has too long remained

not only irreconcilable but antagonistic, viz., Christian ethics and scientific economics, and so replace by a life-giving harmony what has hitherto remained a death-dealing discord. This reconciliation makes possible for such nations as choose life and good, in preference to death and evil, that fast proclaimed by the great Hebrew Prophet as alone acceptable to God, which was to consist not in affliction of the soul, not in bowing down of the head as a bulrush, not in spreading sackcloth and ashes for a bed, but in loosing the bands of wickedness, in undoing the heavy burthens, in letting the oppressed go free, and in breaking every yoke ; in bringing God's gifts of freedom, security, and plenty to those who for so long have received nothing from man but slavery, robbery, and their resultants—poverty and misery.

## Introduction to “The Science of Civilization”

THE Science of Civilization, better known under the name of Political Economy, is that science which seeks to reduce to intelligible and universal laws the action of the various social forces which compel, facilitate, and increase *the sale of manufactures*. Until manufactures are produced, therefore, and have to be sold, Political Economy has no existence. For, all previous assertions notwithstanding, it has nothing to do with exchanges which are voluntary, but only with sales which are compulsory, and must be more or less regularly repeated. But sales such as these never begin until the first and greatest of all the divisions of labour has been effected, viz., that which separates, if only in a single instance, the producer of what is not food, i.e. the manufacturer, from food production. For such separation makes the manufacturer or wage-earner wholly dependent for food upon such payments as food-producers make to him for his manufactures, and for wages upon such manufactures as remain to him over and above what he has to sell for food. For *wages are the share of his own labour products retained by the manufacturer after he has provided himself with food*, and rule high consequently when the demand for his labour products amongst food-producers is great, and low when the demand for them is small. Wherever, then, this division of labour is effected, and so long as it continues, it is evident that while the wage-earner on the one hand is entirely dependent for necessities upon a sale of his manufactures for food, food-

producers on the other hand will make no purchases of manufactures unless they desire the particular articles offered to them, and possess a surplus of food, over and above their own requirements, with which to purchase them. Thus, the wage-earner being always a seller of his labour products for food, and the food-producer always a buyer of manufactures with food surpluses, it necessarily follows that prosperity for wage-earners must always depend upon the existence within their reach of a numerical majority of food-producers desirous of purchasing their manufactures and possessed of food surpluses wherewith to do so. Thus it comes that as soon, and to just such extent as, wage-earners are differentiated from food-producers, and the principles of Political Economy begin to apply, *the labour products of each become naturally and necessarily divided into two great and distinct economic classes*. Into *Wealth*, or the more or less imperishable manufactures which are sold for food, and *Capital*, or the more or less perishable food surpluses which purchase manufactures, and enable them to be produced. So that *Value is nothing but the relation between these distinct classes of labour products*, determined by sales in markets, and expressible, theoretically, in terms of fixed units of food, but practically, as we shall subsequently see, in tokens representing these units and convertible into them. In Economics, consequently, value is always market or selling value, and never utility value.

If we now consider the relation which this, the first and greatest division of labour, creates between those who do not produce food for themselves and food-producers, it is clear that the former can obtain food from the latter only in one of three ways. (1) As a gift. (2) By force. (3) As a payment for something sold. But the operations of charity are reducible to no law, while the exactions of force violate the only one upon which a "science" of Political Economy can rest, the eighth of the Decalogue, "Thou shalt not steal." It follows, therefore, that it is only the third method of obtaining food that falls within the purview of Economical Science;

that it is only this method that yields universal results, and is obedient to motives which, when once permitted to operate freely, are everywhere identical. It thus appears that *Political Economy* is in reality *the science of sales*, instead of, as it has been hitherto deemed, the science of exchanges. It supposes consequently from its very outset, cannot operate indeed except in a state not of equality between producers differently employed, but of absolute dependence, however concealed, of one class of producers upon another class. Economical Science therefore knows nothing of industrial equality, since it could not exist except in a state of constant and increasing inequality. The assertion, therefore, that "all men are born equal," if not universally false, has certainly no application to those industrial conditions from which, in a civilized society, not a single individual can escape.

From this brief outline it is evident that Political Economy becomes scientific just in proportion as it discovers and sets forth—(1) What are the *universal relations* that must everywhere subsist between the producers of Wealth and the producers of Capital, to allow of the freest production of both, and sale of the former for the latter; and (2) what are the *removable hindrances* which in any given locality or country prevent sales taking place by minimizing the production of Capital or impeding the distribution of Wealth.

But this broad division of all civilized producers into two powerful and opposing classes, into Wealth-producers or sellers and Capital-producers or buyers, whose personal, visible, and immediate interests always *appear* to be in ceaseless conflict, and yet whose continued prosperity and progress depend upon some recognized and ever-active authority holding the scales of justice evenly between both, and so preventing oppression of the one by the other, is a fundamental social fact to which Economical, no less than Political Science, has hitherto remained absolutely and obstinately blind. While such blindness has necessarily gone far towards vitiating most of the theoretical conclusions of the former, and pre-

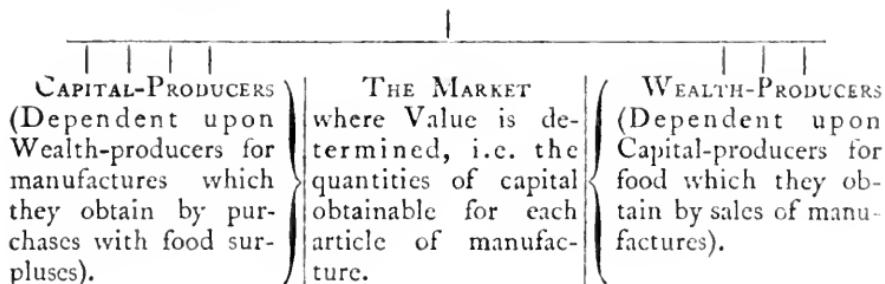
venting the practical laws of the latter from having anything but the most temporarily palliative and disappointing of effects.

The accompanying diagram may help to illustrate this first and greatest division of labour, which by separating the Wealth-producer from the Capital-producer gives birth to civilization. For civilization itself is nothing but a state of mutually beneficial dependence of one set of men upon another, and every step of progress made therein, and every social benefit secured thereby, is made possible only by such dependence increasing, and ever-multiplying numbers losing their ability to live independently owing to the growth of needs that cannot be satisfied except through the products of other men's labours. Thus a state of individual or family independence must always, economically speaking, be an uncivilized or barbarous state, for there cannot be civilization except there is dependence.

TABLE I.

## UNCIVILIZED MAN.

*(Independent of others for both food and manufactures.)*



From this diagram it should clearly appear, without the tedious explanation otherwise necessary, how it is that Value, which economically is always selling value, can only attach to Manufactures or Wealth, and purchasing power to food or Capital. Whence, necessarily, *Value is always the quantity of food for which, at any given time and place, any named article of manufacture can be sold*; and Purchasing power the number of manufactured

articles of any specified kind which, at any given time and place, a fixed quantity of food can purchase. Value, therefore, being the correlative of purchasing power, must always fall as purchasing power rises, and rise as purchasing power falls. *Manufactures consequently in Economics have value but no purchasing power, while food has purchasing power but no value.*

This relation of these two distinct classes of labour-products to each other is so fundamental, ubiquitous, and permanent, that unless it be firmly grasped and kept continuously in view, no progress can be made in the comprehension of subsequent social developments. For the constant economical effect of these is to increase the dependence of multiplying sets of wage-earners upon each other, through increasing subdivision of labour in manufactures, and of all wage-earners upon Capital-producers, through the increasing demand of the former for food. Necessarily, therefore, any multiplication of Wealth-producers beyond the purchasing capacity of the Capital-producers within their reach must (*vide* diagram) so reduce value as to ensure the increasing pauperization of the former, i.e. the compulsory surrender for food of an increasing share of whatever Wealth they produce. For except through violence or charity, these cannot obtain a single ounce of food beyond what its producers choose to pay in voluntary purchase of manufactures. If ever, then, in any locality or country artificial restrictions should be placed either upon the production of Capital or upon the distribution of Wealth, then nothing can ultimately prevent such restrictions from causing increasing want, i.e. insufficiency of food amongst Wealth-producers, which must prove socially disastrous just in proportion as the numbers affected by it are small or large.

But such artificial restrictions, both upon the production of Capital and upon the distribution of Wealth, are the inseparable accompaniments of every form of modern, Western, or, as it may be more properly called, Roman civilization. It is their existence, indeed, which

creates those two bugbears of modern Economics, Ricardo's "Iron Law of Wages," and Malthus' not less iron "Law of Population," and so reduces man—"made in the image of God," and endowed with divine intelligence—to the level of the brutes that perish, and thus condemns him to share in that blind and unreasoning "struggle for food" which is the doom of the animal world. Over the whole of these regions, therefore, man's so-called "struggle with Nature" is nothing but the outcome of artificial restrictions, which he ignorantly creates or endures, upon his own productive powers and his own personal freedom, too many in some countries being compelled to produce manufactures for sale, and too few permitted to produce food surpluses for their purchase; too few in others being permitted to produce manufactures for sale, and too many restricted to producing food for maintenance without any inducement to produce surpluses for purchase. Of necessity, then, Political Economy, which is the science of sales, divided itself naturally into two great parts, whereof the first, which may be called pure Economics, concerns itself with the universal relations that must everywhere and always subsist between the producers of Wealth and the producers of Capital, to allow of the freest production of both, and sale of the former for the latter. While the second, which may be called Applied Economics, concerns itself with the specific and removable hindrances created by laws, by customs, or by Nature, which in any given locality or country prevent sales taking place, either by minimizing the production of Capital, by impeding the distribution of Wealth, or by both together. Thus Pure Economics deals with universal principles, and Applied Economics with their particular and local violations.

## FINAL WORD !

Those who have read the foregoing carefully and followed the argument, will now be able to appreciate the allegory conveyed on the front page of the cover of this book.

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